Report of the Director of Finance to the meeting of Executive to be held on 18 February 2020 and Council to be held on 20 February 2020

BD

Subject:

2020/21 Budget Proposals and Forecast Reserves – S151 Officer Assessment

Summary statement:

This report assesses the robustness of the proposed budget for 2020/21, the adequacy of forecast levels of reserves and associated risks.

It concludes that the estimates are sufficiently robust for the Council to set the budget.
It also concludes that the General Fund and unallocated reserves should be maintained at their current levels over the period of the financial strategy to ensure the continued financial resilience of the Council.

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Director of Finance

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Portfolio:

Leader of Council and Corporate

Overview & Scrutiny Area:

Corporate

1. SUMMARY

This report assesses the robustness of the proposed budget for 2020/21, the adequacy of the forecast levels of reserves and associated risks in the context of the Council's financial outlook up to 2021/22 and beyond.

The Council is setting its budget for 2020/21, including proposals for savings and proposals for investment which will require implementation action to be undertaken during 2020/21.

It should be noted that the process aligns with year four of the four year financial strategy which commenced in 2017/18 and which sought to align our finances to the outcomes in the Council Plan 2017-2021.

For the past three budget rounds, the Council's S151 Officer has concluded that the General Fund reserve at a level of £10.8m and unallocated reserves in the range of £12-15m is adequate and this report concurs with that view, subject to specific earmarked reserves being identified and maintained where relevant. Where opportunities arise to exceed this level, these should be exploited given the continued uncertainty in the local government finance environment.

The report concludes that the estimates are sufficiently robust for the Council to set the budget for 2020/21. However, it should be noted that there are significant and uncertain medium term risks to the Council's financial position that require identified mitigating actions to continue to be implemented and monitored during the 2020/21 financial year.

2. BACKGROUND

Under Section 25 of the Local Government Act 2003, when the Council sets the budget, the Council's S151 Officer is required to report on:

- the robustness of the estimates made for the purposes of the calculations, and
- the adequacy of the proposed financial reserves.

This report comments on the revenue and capital estimates in the proposed budget. The assessment is informed by extensive review, scrutiny and personal involvement in the development of the proposed budget.

3. OPTIONS

This report does not set out alternative options. Legislation requires Council to have regard to this report and the assessment when setting the budget.

4. FINANCIAL & RESOURCE APPRAISAL

The financial appraisal underpinning this assessment is set out in the separate reports to this

Executive on planned revenue and capital spending.

2020/21 Onwards Budget Appraisal

Context

- In setting a four year plan commencing in 2017/18, the organisation signalled its intent on managing the longer term financial sustainability of the authority, reducing the recurrent cost base within anticipated resources by 2020/21. In the period from 2011/12 to 2019/20 the Council has had to take measures to reduce costs and increase income amounting to £278.0m, with a further £31.3m identified for future years.

- The following sections seek to highlight a number of significant changes since the plan was adopted, the risks of those changes and how they impact on the delivery of the 2020/21 budget and our longer term financial and reserve strategies.

2019/20 Projected Position

- The Q3 monitoring report presented to Executive on 4 February 2020 forecasts a £0.2m overspend for 2019/20.

- Whilst this signals a likely continuation in the Council's ability to broadly manage its finances within budget, year on year, it does also mask a number of significant in year financial challenges and has only been possible via the inclusion of both fortuitous and managed one-off items.

- The Council has well established procedures for measuring progress against agreed savings plans and these monitoring reports are presented and discussed monthly to CMT and quarterly to Executive. In the prior two years approximately half of agreed savings were not delivered on schedule. This clearly represented cause for concern and additional monitoring and governance processes introduced during 2019/20 budget have ensured a higher proportion of planned savings are delivered, the Q3 report forecasts 66% will be delivered, which rises to 87% when adjusted for Travel Assistance savings, for which a specific contingency has been established to reflect expected delivery timescales.

- Alongside the non-delivery of savings, the Council has continued to face financial pressures in Waste and Children's Services. In the latter, this is both in relation to a sharp increase in the number of Children Looked After and costs associated to the 'Inadequate' OFSTED inspection judgement reported in October 2018.

- Budget variances have been reduced through management action to reduce expenditure and increase income in other areas, and through a number of one-off fortuitous items such as a VAT refund, savings on interest and capital financing costs and savings against Corporate contingencies.

- We have also instigated further improvements to the financial control environment including extended use of Business Intelligence reporting and the production of enhanced monthly reporting at Departmental Management Team level. Enhancements have been made to Capital approval processes through enhanced Project Appraisal Group approval processes and formal capital monitoring processes have been implemented, with monitoring meetings chaired by the Leader of the Council.

- This serves to show the Council has deployed appropriate arrangements to mitigate identified risks, address optimism bias from prior years, and ensure effective monitoring and governance processes are in place to identify, manage and address budget challenges promptly and effectively.

Funding and Resources

- Over the last year we have been required to amend our assumptions around future funding, with Members being regularly updated on developments around the Fair Funding Review and Business Rates localisation. Uncertainties over local government financing continue, both in the quantum of funding and in distribution mechanisms, therefore prudence is still required when it comes to predicting external funding levels. For these reasons a one-year budget has been set for 2020/21, with the Medium Term Financial Strategy updated based on current best assumptions, considering the significant uncertainty over future national funding levels and distribution mechanisms.

- With some disappointment the 75% business rate pilot has ended, and we revert back to 49% business rate retention in 2020/21. Although Revenue Support Grant has been provided to mitigate impacts, the continued uncertainty over funding mechanisms prevents effective long term financial planning. With Business Rates alone we have moved from a 100% Business Rates Pool Pilot in 2018/19, to a 75% pilot in 2019/20 and revert to the base 49% retention in 2020/21.

- Council Tax remains our most stable and reliable revenue stream and will account for 54% of our net expenditure requirement in 2020/21, up from 35% in 2010/11. As a historically low taxing authority, it continues to be important to maximise the on-going benefit of increases in the Band D rate as and when they are available and this budget proposes the maximum allowable increase in the general rate (1.99%) and the application of the Social Care precept (2%). This equates to a weekly rise of £1.05 for a Band D property.

Formulating the 2020/21 Budget

- One of the Council's key functions in terms of managing its finances is securing value for money from its activities, something which is measured on an annual basis by our external auditors. Given the challenges we have experienced in delivering agreed savings in 2017/18 and 2018/19, and budget pressures identified in 2019/20 it was clear that budget re-alignment would be required to ensure we effectively manage resources to achieve council objectives and protect essential services. The Budget proposals for 2020/21 include a number of key proposals to address these issues:-

  - Additional funding of £15.2m for Children's & Adults Social Care has been included within the budget in recognition of increasing demographic and other pressures. The budget proposals for 2020/21 also include an additional £2m per annum investment in Childrens Services and £2m investment in each of 2020/21 and 2021/22 for Early Help and Prevention activity.

  - Additional resources to meet cost pressures within Waste and Recycling services. With funding provided to meet waste disposal contract costs and demographic growth. Funding rises from £978.0k in 2020/21 to £2.443m in 2022/23.

- Investment in service and budget sustainability through effective transformation of services, learning from best practice and lessons learnt from successful investment in Health & Wellbeing services which has led to improved outcomes for citizens and reduced costs.

- In making the budget balance and mindful of recent progress against delivery, the number of new savings proposals have been limited, whilst a number of savings agreed in 2019/20 for delivery in 2020/21 have been deferred for a year. In combination with proposed Investment in transformation activity and early help and prevention this will enable the Council to re-frame ambitions and service delivery to best secure outcomes in line with budget availability.

Other Expenditure Pressures

- The current MTFS assumes pay awards of 2% to all employees. Should pay rates be settled at a higher rate this will create a structural cost pressure for the Council given each 1% in pay equates to c.£2.3m.

- The estimates make provision for total inflationary increases to our cost base of 2% with additional amounts to account for National Living Wage increases. Should inflation be higher this will create a structural cost pressure for the Council given each 1% in prices equates to c.£2.0m.

2020/21 Savings and Medium Term Outlook

- The MTFS as presented to Executive 9th July 2019 projected the Council's financial gap over the medium term as:-

Budget Gap 2020/21	Budget Gap 2021/22	Budget Gap 2022/23
£23.857m	£26.173m	£20.896m

- Based on the funding assumptions included within the budget report and the proposed savings and investments the projected financial gap over the medium term would be:-

Budget Gap 2020/21	Budget Gap 2021/22	Budget Gap 2022/23
£NIL	£1.845m	£10.015m

- There is still a high degree of uncertainty over local government funding, both in quantum and allocation mechanisms. However, based on current assumptions and indications this gap, although still sizeable, is significantly reduced from prior assumed levels. The gap is not insurmountable provided the Council continues to proactively transform its approach to service delivery including making potentially difficult decisions about service provision levels, clearly refines and aligns its outcomes to resources in the next iteration of the Council Plan and maximises the current opportunity afforded by its resilient balance sheet.

Other Considerations

- The proposed allocation of the Dedicated Schools Grant (DSG) has been the subject of extensive and detailed development, scrutiny and ratification by the Schools Forum and its working groups.

- In terms of Capital, the budget makes provision for additional investment in capital schemes, many of which are grant funded or proposed as invest to save projects. The increase in the Capital Investment Programme will incur some additional borrowing with a consequential affordable increase in our capital financing budget to cover the cost of a number of new significant regeneration projects designed to stimulate the local economy.

- Continuing developments in the integration of health and social care, which will likely be further impacted by the delayed Green Paper, may bring consequences to our longer term financial planning assumptions not currently factored in.

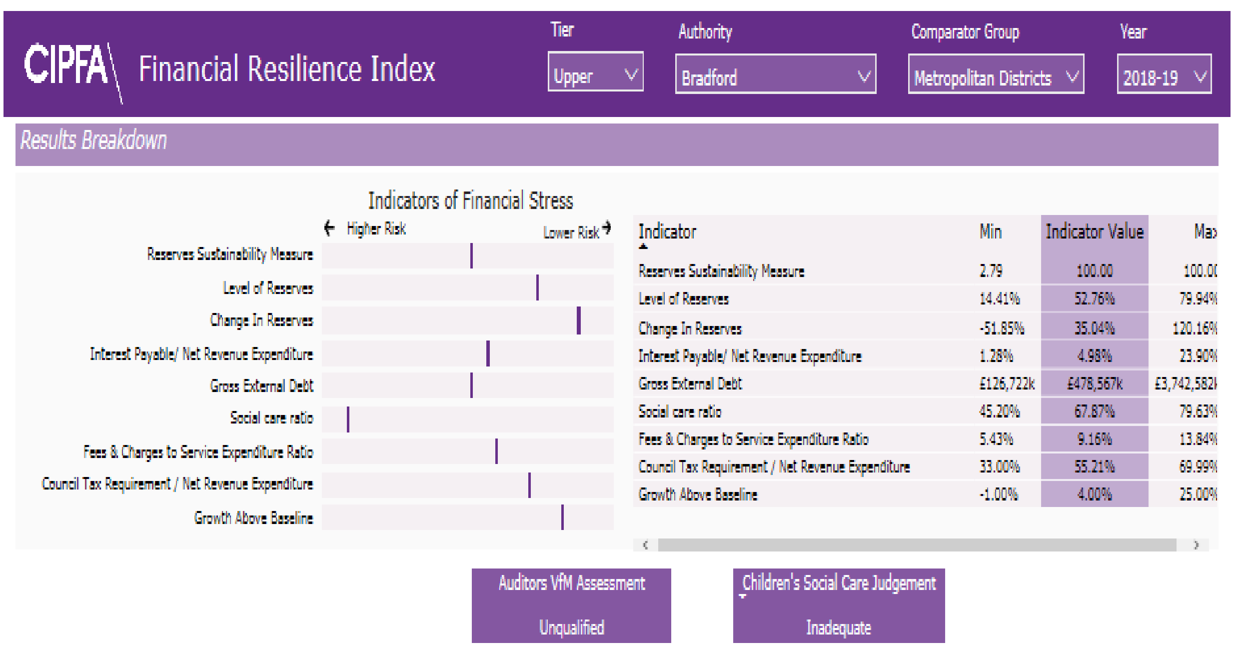
- Building on this last point, it is important to acknowledge the growing interdependencies in public sector finances, and in particular Health, and the way that we use our funds, and partners use theirs, will have an increasing bearing on outcomes in the district.

CIPFA Financial Resilience Index

CIPFA (Chartered Institute of Public Finance and Accountancy, the professional public sector accountancy body) issued their Financial Resilience Index in December 2019. The index provides an assessment of an authority's financial resilience across a number of indicators relative to other authorities.

The index shows Bradford Council is in a relatively resilient position, with the main concern being the proportion of its budget allocated to Children and Adults services.

An extract of the index results for the Council, with comparison to all Metropolitan Authorities is shown below.

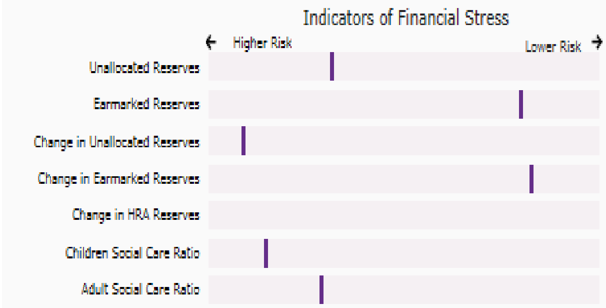


Indicator	Min	Indicator Value	Max
Reserves Sustainability Measure	2.79	100.00	100.0
Level of Reserves	14.41%	52.76%	79.94%
Change In Reserves	-51.85%	35.04%	120.16%
Interest Payable/ Net Revenue Expenditure	1.28%	4.98%	23.90%
Gross External Debt	£126,722k	£478,567k	£3,742,582
Social care ratio	45.20%	67.87%	79.63%
Fees & Charges to Service Expenditure Ratio	5.43%	9.16%	13.84%
Council Tax Requirement / Net Revenue Expenditure	33.00%	55.21%	69.99%
Growth Above Baseline	-1.00%	4.00%	25.00%

CIPFA Financial Resilience Index

Tier: Upper | Authority: Bradford | Comparator Group: Metropolitan Districts | Year: 2018-19

Results Breakdown



Indicator	Min	Indicator Value	Max
Unallocated Reserves	2.19%	4.38%	17.13%
Earmarked Reserves	9.00%	48.38%	70.73%
Change in Unallocated Reserves	-81.55%	-51.18%	696.22%
Change in Earmarked Reserves	-63.30%	60.73%	247.39%
Change in HRA Reserves	-42.57%	na	293.83%
Children Social Care Ratio	15.81%	28.48%	41.88%
Adult Social Care Ratio	24.58%	39.39%	46.29%

<u>Summary</u>

Given the steps set out in the earlier sections of this paper, it is concluded that the estimates are sufficiently robust for Council to set the 2020/21 budget.

Members should have assurance that a number of prior risks have been mitigated in part, for example, capital estimates are now more accurate, monthly budget monitoring at CMT has improved management of the budget, the MTFS position is more favourable, key reserves have been maintained and some underlying budget pressures have been addressed wholly or for the next 12-months.

However, Members need to be mindful of the significant challenges that remain in 2020/21 and beyond, which will require proactive work in the coming year to ensure the longer term financial sustainability of the authority.

Reserves

The Council's financial strategy during the period of austerity has been to maintain the strength of the balance sheet in order to provide resilience in a turbulent environment, whilst reducing the recurrent net cost base. The Council adopted and has adhered to a policy on the use of reserves which has served it well.

The balance sheet includes:

- The General Fund Reserve
- Unallocated Corporate Reserves
- Reserves set aside for designated purposes and for specific liabilities and risks.

The first two reserves are essentially the Council's backstop for unforeseen risks and pressures. Previous budget decisions, including setting aside funding for transformation, means that the General Fund Reserve sits at £10.3m and Unallocated Corporate Reserves currently sit at £15.0m, and the MTFS will propose retaining these reserves at this level.

As can be seen in the Budget Appraisal above, the financial challenges facing the Council are significant and put into context, the combined total of the two reserves is sufficient to fund only 24 days of Council activity.

Therefore, the projected levels for 2020/21 and beyond remain adequate ***only if***

- The 2020/21 budget, with its focus on corrective action and more robust planning, is delivered to plan
- Indicative savings, spending and transformational plans in future years are effectively implemented, and especially the focus on early help and prevention addresses rising costs and demands in Children's services
- The amount of contingency in the annual base budget remains adequate
- Potential liabilities are manageable within the balance sheet's provisions and reserves
- Local sources of taxation and other income turn out as planned.

It is therefore concluded that:

- The reserves are adequate for the 2020/21 proposed budget
- The Council has a clear reserves plan for the medium term
- The key to financial resilience lies firmly in successfully implementing plans.

5. RISK MANAGEMENT AND GOVERNANCE ISSUES

The potential impacts of the identified risks have been modelled in Appendix 1 to this paper. This risk analysis will be used to inform management action during the year. The existing and proposed governance mechanisms to manage the budget are examined as part of the risk assessment.

6. LEGAL APPRAISAL

This assessment is made in accordance with the requirements of the Local Government Acts 1972 and 2003. The Council's Constitution provides that each year, before the budget is determined the s151 Officer will produce a report for the Executive showing ongoing commitments and a forecast of the total resources available to the Council to enable the Executive to determine any financial strategy guidelines.

7. OTHER IMPLICATIONS

7.1 EQUALITY & DIVERSITY

The Equality and Diversity issues arising from the new budget proposals are analysed in the reports accompanying the budget documentation presented to Executive on 4 February and 18 February 2020. The Interim Trade Union feedback on the budget proposals is documented and reported in a similar way. The Trade Union feedback and the feedback from the public engagement and consultation programme on the proposals previously approved by Budget Council in February 2019 was fully considered by Council at that time.

7.2 SUSTAINABILITY IMPLICATIONS

Sustainability implications are identified in the budget reports as presented to Executive on 2 January 2020, 4 February 2020 and 18 February 2020.

7.3 GREENHOUSE GAS EMISSIONS IMPACTS

The budget proposals for both revenue and capital include Climate Emergency proposals, more detail will develop in due course as these schemes progress.

7.4 COMMUNITY SAFETY IMPLICATIONS

Where there are any community safety implications arising from individual budget proposals these will be covered in the consultation exercise. Any implications arising from the consultation will be presented to subsequent meetings of the Executive.

7.5 HUMAN RIGHTS ACT

There are no direct human rights implications arising from this report.

7.6 TRADE UNION

The statutory requirement to consult with Trade Unions under S188 Trade Union and Labour Relations (Consolidation) Act 1992 where 20 or more redundancies are proposed within a 90 day period does not arise in respect of the new budget proposals for 2020/21 as these new proposals have no staffing implications.

The Council previously declared a proposed 111 FTE reductions for 20 /21and commenced consultation with the Trade Unions on those on 26 November 2018 in accordance with the requirements of Section 188 Trade Union and Labour Relations (Consolidation) Act 1992.

It should be noted that consultation on workforce implications on budget changes agreed in previous years will continue to take place.

Where a proposal gives rise to a transfer under the Transfer of Undertakings (Protection of Employment) Regulations 2006, trade union consultations will be carried out in accordance with those regulations.

The financial position and the proposals were explained at Trade Union on 6 January 2020. Further Consultation will continue on a weekly basis (if applicable) at Departmental consultation meetings. Any Trade Union feedback will be collated and will be reported at Executive in February 2020 as an addendum to the budget report

A briefing for all employees on the budget proposals has been issued through line management and key communications/Bradnet and will be cascaded accordingly.

7.7 WARD IMPLICATIONS

In general terms, where the proposed cuts affect services to the public, the impact will typically be felt across all wards. Some proposals could potentially have a more direct local impact on individual organisations and/or communities. It is expected that the consultation process will allow an analysis of local impacts to inform final decisions.

8. NOT FOR PUBLICATION DOCUMENTS

None.

9. RECOMMENDATIONS

That Members have regard to this report in setting the budget, and in particular note the conclusions that:

- the estimates presented to Council are sufficiently robust

- the reserves are adequate for the 2020/21 proposed budget

- the projected corporate reserves, on current estimates, are adequate in the medium term, subject to the implementation of the rest of the proposed financial plan and identification of further proposals to mitigate the projected structural gap of £11.860m.

As with all budgets there is the potential for amendments to be proposed/agreed which could change the overall package of proposals. In that respect, it should be highlighted that this statement would be amended or added to if a decision was proposed that lead to the Council's reserves falling below their recommended level. In addition, any other amendments would be considered against the scale of the overall budget and depending upon the extent and nature, may result in a revised statement.

10. APPENDICES

10.1 Appendix 1: Risk-Based Assessment

11. BACKGROUND DOCUMENTS

Executive reports and supporting information / working papers

- 2nd January 2020: Proposed financial plan updated to 2020/21
- 5th November 2019: Quarter 2 Finance Position Statement for 2019/20
- 9th July 2019: Finance Position Statement for 2018/18
- 9th July 2019: Quarter 1 Finance Position Statement for 2019/20
- 9th July 2019: Medium Term Financial Strategy 2020/21 to 2022/23 and Beyond
- 2nd April 2019: Quarter 4 Finance Position Statement for 2019/20
- 2nd April 2019: The Council's Capital Strategy 2019-20
- 19th February 2019: The Council's Revenue Estimates for 2019/20

- 19th February 2019: The Council's Capital Investment Plan for 2019/20 Onwards
- 19th February 2019: 2019/20 Budget Proposals and Forecast Reserves – s151 Officer Assessment
- 5th February 2019: 2019/20 Budget Update
- 5th February 2019: Quarter 3 Finance Position Statement for 2018/19

Plus

- Monthly Change Programme Reports to CMT
- Monthly Finance position statements to CMT
- Budget Working Papers

APPENDIX 1

Risk-Based Assessment of Potential Events Affecting the Proposed 2020/21 Budget and Beyond

The table outlines: the risk event that could occur and cause the plan to vary; the mitigations that are in place; and an assessment of the potential quantified impact of the individual risk materialising, together with the additional mitigating factors.

Risk Event	**Description and Mitigation in Place**	**Residual Risk Rating (Likelihood/Impact) and Contingency**
		Likelihood: Low <20% <Medium < 50%< High<70% Impact: Low <£2m< Medium < £3m < High < £5m
Taxation streams are unstable	Collection Rates, bad debt provisions, appeals provisions, rateable property and the cost of the Council Tax Reduction Scheme are all volatile and are regularly monitored. Business Rates performance continues to be more volatile than Council Tax, with the outcome of appeals significantly reducing the tax yield. In year losses and gains can be handled through the Collection Fund, while variances can be dealt with in future year's plans.	Medium/Medium Contingency provided through adjustment of plans for subsequent years.
Other income streams unstable	Non-taxation income streams remain less volatile than in previous years. NHS funding streams may be at risk in the wake of current financial control difficulties. Past performance suggests that unplanned income may materialise, offsetting generally the risks against the aggregate net revenue budget. The Council is becoming more successful at securing competitive grants.	Low/Low Contingency provided through in-year budget control. Continuous dialogue with NHS partners over funding flows More active bidding for external funds Close monitoring of trading
Member support for the budget diminishes	The Executive and individual Portfolio Holders have been involved at a very detailed level in the development of the proposals. The financial plan reflects the current Council Plan which has also had significant member input.	Low/Low Contingency provided through adjustment of plans for subsequent years
Plans for implementation of changes are not	Each savings proposal is required to be accompanied by a project plan setting out the implementation path. This process has been strengthened further through Change Programme	Medium/Low Mitigation provided through continuous

Risk Event	Description and Mitigation in Place	Residual Risk Rating (Likelihood/Impact) and Contingency
		Likelihood: Low <20% <Medium < 50%< High<70% Impact: Low <£2m< Medium < £3m < High < £5m
robust	Board and monthly CMT budget monitoring report, including specific savings tracker. The impact of the plans has been tested in consultation. The degree of risk in each individual proposed change varies, and requires continuous project management. Implementation requires dedicated project management resource (which continues to be funded in the budget).	improvement of plans and regular monitoring reports through CMT.
Planning is insufficiently flexible to respond to unexpected events	Governance arrangements allow Strategic Directors, under delegated authorities, and in consultation with Portfolio Holders, to flex plans during the year. If necessary, recourse can be had to the Executive to approve changes within the overall agreed budget envelope	Low/Low
Risks to timely implementation of changes to packages of care in adults and children services	The programme of change for Adult Services is proving effective in ensuring the right level of care is provided at the right time. Change Programme Impacts are being realised through the budget. The residual risk is the requirement for further demand management activity to be implemented to meet budget savings targets to 2022/23. The package of proposals to reform entitlements to and methods of transporting children with high needs to and from school has not yet yielded the intended financial benefits.	High/High Use of dedicated programme management resource Continued collaboration with NHS and other partners Learning from developments in other local authorities and engagement of Impower to provide external support/expertise/ challenge/ change. The risk is part mitigated as additional budgetary resource included in MTFS for Children's services
Uncertainties over the integration of health and social	The future of adult social care is heavily influenced by national policy on integration. Work to develop "integrated care systems" could run slower than is necessary to inform/support	Medium / Low The Council may have to make unilateral

Risk Event	Description and Mitigation in Place	Residual Risk Rating (Likelihood/Impact) and Contingency
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care, including delays in developing new models of care to support changes to service delivery	local changes, with potential adverse financial and client impacts. Governance mechanisms including the Health and Wellbeing Board and supporting bodies are in place, allowing shared planning with NHS partners, and joint participation in nationally led initiatives. Negotiations continue over the distribution of the Better Care Fund. Financial pressures in the NHS could trigger higher degrees of organisational change, which divert leadership attention away from the job of managing client demand which lies at the heart of the adult services changes required to deliver the budget.	changes if the pace of change is too slow Impact judged as low as budget is not predicated on integration
Changes related to staff cannot be implemented to plan	Consultation with Trade Unions for savings agreed February 2019 has taken place. Unions have taken Industrial action. No new staff savings as part of 2020/21 proposals, which also see some prior savings being deferred. Any implementation will focus on avoiding compulsory redundancy.	Low/Low Use of voluntary redundancy and vacancy management to mitigate impacts
Demographic changes place unplanned burden on resources	The proposed budget has been increased to account for £1.6m of demographic growth in Adult Services, and £13.6m within Children Services. The waste/refuse collection budget has been increased to reflect demographic and household growth. The Schools budgets (funded by the DSG) reflect the latest pupil census. It is expected that demographic growth and changes in the composition of the population will continue to lead to service pressures, which may need to be factored into future plans.	Low/Low Budget provision has been provided to address demographic growth in key areas Further contingency may be needed if growth exceeds budget provision
Insufficient inflation allowance is provided in the plan	Expenditure budgets have been selectively inflated at indices appropriate for the relevant line. Where appropriate, budget managers will need to absorb unfunded inflation through reducing consumption of goods and services. Pay budgets have been inflated by 2%. The impact of potential greater inflationary pressures in the economy on the medium term	Low/Low Compensating action to reduce net costs

Risk Event	Description and Mitigation in Place	Residual Risk Rating (Likelihood/Impact) and Contingency
		Likelihood: Low <20% <Medium < 50%< High<70% Impact: Low <£2m< Medium < £3m < High < £5m
	outlook will need to be managed.	
Capital investment is poorly controlled	Experience from prior years suggests capital projects take longer to implement than planned with a significant degree of slippage. PAG processes have been updated, and period capital monitoring, including Leader and Portfolio Holder engagement.	Low/Low Close monitoring is required to ensure that schemes do not overspend and deliver to plan. Contingency provided through adjustment of plans for subsequent years
Sources of funds for capital investment do not materialise	In addition, to the capital receipts expected to be released as a result of specific schemes, the Capital Investment Plan assumes £3.5m of general capital receipts from emerging sales of Council property. If they do not materialise, the plan (or individual projects within it which are dependent on receipts) will need to be reviewed.	Low/Low Contingency provided through adjustment of plans for subsequent years
Capital projects do not deliver expected Invest to Save returns	A number of capital projects have been approved on an Invest to Save basis, with financial benefits forecast to offset capital borrowing costs. If these savings do not materialise the relevant service area will have a budget pressure in meeting these costs.	Low / Medium Business plan approval subject to service sign off and PAG approval, before being approved by Executive. Capital monitoring processes.
Interest Rates are higher than anticipated over the life of the plan	Should there be sharp rate rises, this would have a corresponding impact on the capital financing budget as external borrowing becomes more expensive. This may in turn have an impact on the affordability of the capital programme, in particular in later years. Interest Rates assumed in the budget are based on the latest available information from professional treasury management advisors. Regular updates are received and form part of our monitoring	Medium/Medium Compensating action to reduce net costs Reprofiling and reprioritisation of the capital plan Strong link between capital forecast and

Risk Event	Description and Mitigation in Place	Residual Risk Rating (Likelihood/Impact) and Contingency
		Likelihood: Low <20% <Medium < 50%< High<70% Impact: Low <£2m< Medium < £3m < High < £5m
	processes.	MTFS
The baseline budget is structurally compromised	The proposed budget is set using the 2019/20 baseline as amended for specific changes. The 2019/20 forecast outturn shows a combination of overspend pressures and compensating underspends, the most significant of which have been accounted for as part of those specific changes, and where appropriate included within the MTFS.	Low / Low Strategic Directors can use their delegated budgets flexibly Structural budget issues are identified and tracked, and if appropriate reflected in MTFS and budget plans.
Changes in school funding and in school structures created unforeseen and unfunded liabilities	Three factors could lead to financial stress in schools, which, under some circumstances, could create liabilities for the Council's budget: the increasing gap between funding and inflation-driven costs; the impact of the National Funding Formula on individual schools; conversions to academies. No additional provision has been made in the budget for these risks	Medium/Medium Support for/intervention in individual schools On-going dialogue with Regional Schools Commissioner Engagement with Bradford Schools Forum
Internal governance arrangements are not fit for purpose	Constitutional arrangements, internal delegations, and the financial control environment are in place and, from audit testing, are effective. The Schools Forum and the supporting mechanisms are likewise effective at enabling a mature discussion about the use of local authority and DSG funds to support schools and pupils. Governance arrangements for health and social care are also well established. Internal governance supporting change management also reduces the risk of departmental silo mentality.	Low/low
Governance arrangements with external parties are not fit for purpose	The Health and Wellbeing Board and supporting arrangements are in place, though the pace of development is often overtaken by national NHS developments. At regional level, Combined Authority governance is bedded in, though further changes may evolve in the wake of the fluid devolution	Low/Low

Risk Event	Description and Mitigation in Place	Residual Risk Rating (Likelihood/Impact) and Contingency
		Likelihood: Low <20% <Medium < 50%< High<70% Impact: Low <£2m< Medium < £3m < High < £5m
	agenda. These factors do not increase financial risk as much as absorb leadership and management attention.	